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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

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The Honorable Robert W. Fri
Acting Administrator
Environmental Protection Agency

Dear Mr. Fri:

The General Accounting Office has reviewed the air pollution control program grants awarded by the Environmental Protection Agency (EPA) to the State of Washington.

Our review was conducted at EPA headquarters in Washington, D.C.; EPA Region X in Seattle, Washington; and the State air pollution control agency in Olympia, Washington. We interviewed EPA and State officials and examined pertinent legislation, regulations, records, and files relating to the review and approval of air pollution control program grant applications and the expenditure of Federal and non-Federal funds. In addition, we examined records of expenditures of air pollution control program grants awarded to Alaska, Idaho, and Oregon.

During fiscal years 1970-72, EPA awarded three grants totaling \$1,140,000 to Washington to support its air pollution control program. In its grant applications for those fiscal years Washington estimated that it would spend about \$2.2 million of State funds for its air pollution control program. Subsequent to the award of each grant, the State spent between 51 and 56 percent of the State funds estimated for the program in its grant applications. EPA did not reduce the Federal grant amounts; nor did it question the State on the reasons for spending substantially less State funds, until we brought this matter to the attention of EPA regional officials in November 1972.

We believe that when a grantee spends considerably less than estimated in its grant application, either the costs of the program were grossly overestimated or the scope of the program was substantially curtailed. In such a case, we believe that EPA should inquire into the reasons for the underexpenditures and, when warranted by the circumstances, reduce the Federal grant in order to maintain an equitable sharing of the costs of the air pollution control program between the Federal Government and the grantee.

EPA procedures, however, do not require such inquiries as long as certain minimum Federal requirements are met. EPA procedures state that:

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"The objective of the grant program is to provide impetus to the establishment and improvement of air pollution prevention and control programs in the State and local communities and not to provide a substitute for State and local funds."

In addition, EPA requires grantees to provide sufficient funds to insure that appropriate Federal-State matching ratios are maintained. Although Washington spent an average of 54 percent of estimated funds for the 3 years, the funds spent were adequate to meet the matching ratios required by law (which varied from 3:1 to 2:1 - Federal to State funds). In addition, EPA officials told us that Federal funds were not being used in lieu of State funds.

The following table shows Washington's estimated expenditures, grants awarded, and expenditures of Federal and State funds for fiscal years 1970-72.

Fiscal year	State funds			Federal grant funds		
	Estimated	Spent	Percent of estimated funds spent	Awarded	Spent	Percent of estimated funds spent
1970	\$ 660,000	\$ 353,046	54	\$ 340,000	\$ 340,000	100
1971	723,000	405,151	56	450,000	450,000	100
1972	818,345	415,593	51	350,000	350,000	100
	<u>\$2,201,345</u>	<u>\$1,173,790</u>	54	<u>\$1,140,000</u>	<u>\$1,140,000</u>	100

According to State air pollution control officials, expenditures for the program were less than the amounts estimated because the State did not provide the estimated funding. They stated that in fiscal year 1971 the State had initially provided funds of \$682,863 for the program--compared with estimated expenditures of \$723,000--but that during the year the State initiated an austerity program to restrict spending and, as a result, program funds of \$277,712 were returned to the State's general fund. They said EPA had not questioned the State's expenditures for fiscal years 1970, 1971, and 1972, and, therefore, EPA had given tacit approval to the level of State funding.

To determine whether other States were also spending less funds than estimated in their grant applications, we reviewed the applications and expenditure reports submitted to EPA by the other three States in EPA Region X. We found that they were spending approximately the amounts estimated in their grant applications. As shown below, however, when these States spent less State funds than estimated, they reduced their expenditures of Federal grant funds proportionately.

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State	Fiscal year	State funds			Federal grant funds		
		Estimated	Spent	Percent of estimated funds spent	Awarded	Spent (note a)	Percent of grant funds spent
Oregon	1970 ^b	\$56,064	\$52,555	94	\$105,494	\$97,837	93
	1971	46,028	42,106	91	79,443	74,608	94
Idaho	1971	23,590	20,013	85	47,180	39,524	84
Alaska	1972	29,466	25,296	86	59,747	49,785	83

^a Federal grant funds spent represent the amount that the States billed the Federal Government for its share of program costs.

^b Funds shown are for the period April 10, 1969, through June 30, 1970.

In these cases, the States and the Federal Government participated equitably in the costs of the programs; that is, the ratio of State expenditures to Federal expenditures for the programs was about the same as the ratio of estimated State funds to Federal funds included in the grant applications. In contrast, Washington consistently spent all Federal grant funds even though the expenditure of State funds averaged only 54 percent of the amounts estimated.

RECOMMENDATION TO
ACTING ADMINISTRATOR OF EPA

So that the costs of air pollution control programs are shared equitably by the Federal Government and the grantee, we recommend that when expenditures of grantee funds are substantially less than estimated EPA inquire into the reasons for the underexpenditures and, when warranted by the circumstances, reduce the Federal grant amount.

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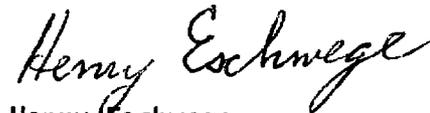
This report has been discussed with officials of EPA's Grants Administration Division. They told us that they were revising EPA's grants administration procedures and that they would consider our recommendation.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen of the House Committees on Appropriations, Government Operations, and Interstate and Foreign Commerce; and the Chairmen of the Senate Committees on Appropriations, Government Operations, and Public Works.

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We would appreciate being informed of any action you may take on the matters discussed in this report. We appreciate the courtesies and cooperation extended to our representatives during the review.

Sincerely yours,


Henry Eschwege
Director